

THE STAFFING EDGE: USING CREDIT INSURANCE TO AVOID LOSS

The economic downturn wrought considerable damage among staffing companies, highlighting an opportunity for The Staffing Edge to better safeguard itself and the member companies it serves with knowledge and protection of credit insurance.

THE CHALLENGE

The Great Recession sent shockwaves through the staffing industry. As insolvencies climbed across the North American economy, staffing companies providing skilled labor to businesses on open credit terms were left with significant levels of bad debt. For the staffing companies that survived the downturn, recovery was arduous due to the very thin profit margins typical of the industry; a company with an average 2-5% margin that suffered a bad debt loss had to generate new revenue of up to 50 times the lost amount just to break even. The Staffing Edge, a back office solution provider serving a customer base of 150 member companies, saw first-hand the devastating effects of the Recession, leaving it and its member companies with a number of financial losses.

“During the Recession, our business and some of our co-op members’ businesses suffered losses, and we needed to find a way to prevent it from happening in the future,” said Stacey Duggan, COO of The Staffing Edge. “At a time of economic crisis it is only natural to review your risk strategy.”

Years in Business: 23
Years with Euler Hermes: 8

Region:



Canada

Sector:



Staffing

Challenge:



Protection against catastrophic loss

Policy Benefits:



Safer sales growth



Comprehensive credit function support



Proprietary knowledge to steer business



Tailored tools and resources

THE SOLUTION

The Staffing Edge is Canada's largest back office service provider dedicated to the temporary and contract staffing industry. The company provides turn-key package solutions including payroll, financing, compliance and more, to help their members grow their sales without worrying about the business basics. The company structured a unique credit insurance program with Euler Hermes that enables its member companies to seamlessly incorporate credit insurance policies as part of a bundle of other support services. Having credit insurance helps its members optimize their cash flow and frees their internal employees to focus on the essential tasks that grow their business.

"Employment agencies are experts at placing the right people in the right positions," said Duggan. "But administrative tasks such as payroll, financing and government compliance can slow business down and keep them from focusing on what they do best. Credit insurance has allowed us and our members to focus on what we do best."

The staffing industry carries two major risks: non-payment risk and worker's compensation claims. Since implementing its credit insurance policy, The Staffing Edge has been able to remove one of these risk factors by offering its members a solution to secure their accounts receivable (A/R).

"Credit insurance has provided our members with the perfect solution to mitigate risk," said Duggan. "During the recession, there were incidences where staffing companies, including our own, lost money even though the A/R was only 20 days old. You can have experts that are great at collecting money, but you never know when a business is experiencing a problem. We don't want to do business if we are not going to get paid – we wanted to offer our members the same security."

The Staffing Edge maintains a conservative risk mitigation strategy to avoid losses wherever possible, and it encourages its members to do the same. The company understands that a major benefit of credit insurance is protection from sudden and unexpected customer insolvencies, but it also greatly values the economic information and proprietary company intelligence that Euler Hermes can provide about prospective customers and industries. This knowledge helps The Staffing Edge and its members stay informed and better manage risk.

"After the recession it became clear that the days of using the typical business info service providers had played out," said Duggan. "The old ways of collecting data had let people down because the information was often six months to a year old. Also people sometimes believe that just because you're dealing with a brandname customer you're going to get paid and that's not always the case. That's why it's so crucial to have a partner that proactively collects financials on companies."

THE OUTCOME

The Staffing Edge has formed a solid partnership with Euler Hermes. Working with the company's unique business structure, Euler Hermes collaborated with The Staffing Edge's leadership to craft a policy that fit its specific needs.

"Establishing a partnership with Euler Hermes was key for our business," said Duggan. "We don't buy based on price alone. Euler Hermes was willing to work outside the box and offered flexibility from day one. The best part of this relationship is that it's a program that runs itself and one where we can truly avoid loss. We participate in our customers' growth, and our success is lockstep with theirs. Only if they grow do we succeed. Credit insurance has been critical in this process. It brings our business and our members immense value."



"We took this as an opportunity to help our members better mitigate their potential for big losses, so we turned to Euler Hermes for a solution."

– Stacey Duggan, COO of The Staffing Edge

For more information you can:

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